

ECONOMIC PULSE

A MONTHLY REPORT ON MARYLAND'S ECONOMY

APRIL 2005

HIGHLIGHTS

Summary

Employment in the U.S. was up 1.8 percent in February compared to the same period a year ago. Construction was up over 4 percent and professional and business services rose 3.8 percent over the year. Education and health services and leisure and hospitality remained relatively robust, rising by 2.4 percent and 2.3 percent, respectively. The unemployment rate (not seasonally adjusted) decreased over the year and stood at 5.8 percent in February, down from 6.0 percent for the same period a year ago.

Job growth in Maryland registered a 2.1 percent increase between February 2004 and February 2005, outpacing the 1.8 percent gain for the nation. Leisure and hospitality displayed a robust growth of 6.1 percent over the year. Job growth in professional and business services expanded at a relatively strong pace, rising by 3.7 percent from the same period a year ago. Employment in the education and health services sector was also relatively strong with a gain of 2.8 percent in February. Job growth in construction, mining and natural resources, however, slowed to 2.6 percent—down from 3.6 percent in January.

Job Growth Improves

Employment in Maryland rose 2.1 percent in February, up from a revised 1.8 percent in January. The nation's job growth rate was 1.8 percent in February.

Growth in Personal Income Rises

The state's personal income increased 5.7 percent last year, up from 3.8 percent in 2003. The growth in personal income for the U.S. was also up 5.7 percent in 2004, compared to 3.2 percent in the previous year.

Leading Index Up

In February, the index of leading indicators for Maryland rose 0.6 percent from last month. The U.S. index was also up 0.1 percent.

Unemployment Rate

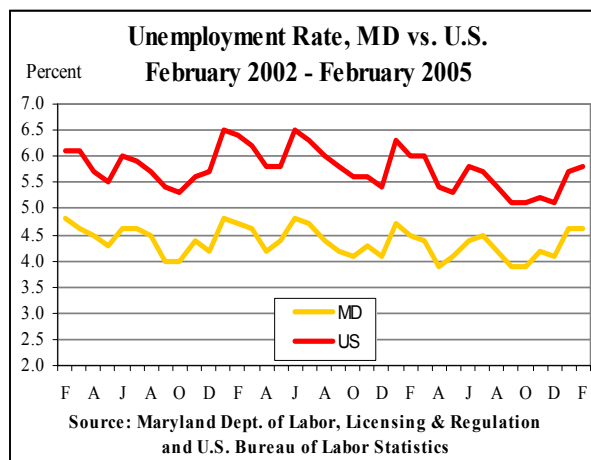
Maryland's unemployment rate (not seasonally adjusted) stood at 4.6 percent in February, up slightly from the same period a year ago, but well below the national average of 5.8 percent. Averaged over the first two months of this year, the state's unemployment rate of 4.6 percent was lower than several neighboring jurisdictions except Virginia (3.6 percent) and Delaware (4.6 percent).

Southern Maryland had the lowest regional unemployment rate (3.7 percent) based on the year-to-date average for the first two months of 2005. The Capital Region followed closely with an unemployment rate of 3.9 percent. The Baltimore Region's unemployment rate of 4.9 percent was pulled up by the 7.9 percent unemployment in Baltimore City. The Eastern Shore's overall unemployment rate was 6.2 percent, with Queen Anne's County (4.1 percent) being the only Eastern Shore jurisdiction with an unemployment rate (continued on page 5)

Unemployment Rates (Percent)

	Not Seasonally Adjusted		Seasonally Adjusted	
	MD	U.S.	MD	U.S.
Feb 2005	4.6	5.8	4.2	5.4
Jan 2005	4.6	5.7	4.1	5.2
Feb 2004	4.5	6.0	4.2	5.6

Source: U.S. Bureau of Labor Statistics

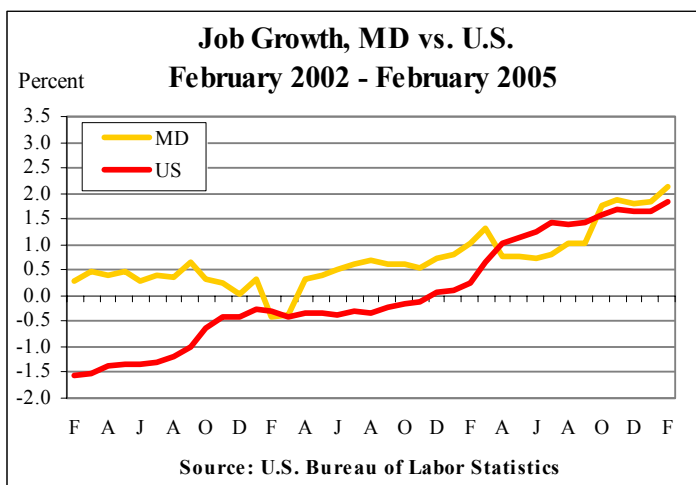


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Governor
Michael S. Steele
Lt. Governor
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Secretary

Jobs and Sectors

Jobs

The state's job growth rate of 2.1 percent in February was associated with a gain of more than 52,000 net new jobs between February 2004 and February 2005. Leisure and hospitality was the leader in job growth among the major industry sectors, with a 6.1 percent increase in employment. Professional and business services followed with an employment gain of 3.7 percent. Education and health services also turned in a respectable 2.8 percent increase in job growth.



In February, the nation's employment expanded by 1.8 percent from the same period a year ago, up slightly from the previous month. The year-over-year job growth rate continued to improve upon the trend set last year. The top per-

forming industry sectors included construction and professional and business services.

Job Growth Ranking

The state's job growth rate of 2.1 percent in February resulted in a ranking of 17th in the nation. For the first two months of this year, the average job growth rate for the state was 2.0 percent, which also netted a ranking of 17th.

Based on the first two months of 2005, the rankings and average job growth rates for selected jurisdictions include: Virginia, 8th (2.7 percent); Delaware, 12th (2.4 percent); West Virginia, 30th (1.5 percent); Pennsylvania, 38th (1.2 percent); and the District of Columbia, 46th (0.8 percent). The other top ten states in job growth included Nevada (6.7 percent), Arizona (4.2 percent), Oregon (4.1 percent), Utah (3.7 percent), Florida (3.5 percent), Idaho (3.0 percent), Hawaii (2.9 percent), Colorado (2.6 percent) and Montana (2.5 percent). Nationally, the job growth rate was 1.7 percent.

Leisure and Hospitality

The leisure and hospitality industry continued to display strong growth in employment, rising by 6.1 percent in February from the same period a year ago—an addition of 12,400 net new jobs. Accommodation and food services was up 5.5 percent over the year, with an addition of 9,700 net new jobs. Food services and drinking places accounted for much of the increase, adding 8,900 new jobs—up 5.8 percent. Nationally, job growth in the leisure and hospitality sector was up 2.3 percent in February.

Other tourism-related indicators were generally positive. The hotel occupancy rate was roughly a percentage point higher in February compared to the same period a year ago. Visitor volume at state welcome centers, however, declined 10 percent over the year. Amusement and admissions tax receipts and hotel/motel sales tax revenue were both up from a year ago.

Health Services

Health care (including social assistance) was up 1.8 percent in February—a gain of 5,000 net new jobs. Within the health care sector, health care service providers generated 2,300 jobs (up 2.6 percent) and hospitals added 2,300 jobs (up 2.5 percent). Employment in nursing and residential care facilities was unchanged over the year.

Retail Sales

The state's retail trade sector expanded by 1.7 percent between February 2004 to February 2005—an addition of 4,900

(continued on page 3)

Maryland vs. U.S. Job Growth Rate (Percent Change, Year Ago)

Month	MD	U.S.
Feb-04	1.0	0.2
Mar-04	1.3	0.7
Apr-04	0.8	1.0
May-04	0.8	1.2
Jun-04	0.7	1.3
Jul-04	0.8	1.4
Aug-04	1.0	1.4
Sep-04	1.0	1.4
Oct-04	1.8	1.6
Nov-04	1.9	1.7
Dec-04	1.8	1.6
Jan-05	1.8	1.7
Feb-05	2.1	1.8

Jobs and Sectors (continued from page 2)

new jobs. Sectors generating net new jobs included motor vehicle and parts dealers (up 1.3 percent), food and beverage stores (up 3.2 percent), clothing and clothing accessories stores (up 5.3 percent), general merchandise (up 2.2 percent) and miscellaneous retailers (up 4.2 percent). Nationally, employment in the retail sector rose 1 percent over the year.

Home Sales and Building Permits

Existing home sales in Maryland climbed nearly 12 percent over the year, while the nation's sales rose 5.4 percent. Permits for new residential units were up in Maryland and the nation.

Employment in the state's construction sector slowed below 3 percent in February, after rising 3.6 percent in January. The U.S. job growth rate in construction was over 4 percent.

Other Industries

Job growth in the professional and business services sector remains strong. In February, employment expanded at 3.7 percent from the same period a year ago—a gain of 13,200 jobs over the year. The U.S. job growth rate for professional and business services grew somewhat faster than the state, rising by 3.8 percent over the year.

Maryland's information sector exhibited a job growth rate of 1.2 percent in February, adding 600 net new jobs. Employment in the telecommunications sector increased for the second consecutive month, up 1.6 percent over the year. Nationally, employment in the information sector was down 0.8 percent compared to the same period a year ago and the nation's telecommunications sector lost 2.4 percent of its job base over the year.

Employment in other services was up about 2 percent in Maryland between February 2004 and February 2005, while the U.S. showed an increase of 1 percent. The state's govern-

ment sector exhibited a job growth rate of about 1 percent, due largely to gains at the local government level. The nation's government sector displayed a gain of 1 percent as well.

Manufacturing

Maryland's manufacturing sector lost 1.3 percent of its job base in February—a decrease of 1,800 jobs from the same period a year ago. The computer and electronic product sector continues to provide a positive contribution, however, and rose 1.7 percent over the year—a gain of 400 net new jobs. Nationally, employment in the manufacturing industry increased 0.3 percent over the year.

Industry earnings were up both in Maryland and the U.S. Average weekly earnings in Maryland's manufacturing industries rose 0.3 percent in February and nearly 2 percent for the U.S. Average weekly hours were down 1.0 percent in Maryland and the nation.

Percent Change in Jobs February 2004 - February 2005

	MD	U.S.
Leisure and Hospitality	6.1	2.3
Professional and Business Services	3.7	3.8
Education and Health Services	2.8	2.4
Health Care and Social Assistance	1.8	2.3
Construction, Mining, Natural Resources	2.6	4.4
Financial Activities	1.6	2.1
Trade, Transportation and Utilities	1.1	1.4
Retail	1.7	1.0
Information	1.2	-0.8
Manufacturing	-1.3	0.3
Other Services	1.9	1.0
Government	0.9	0.9
Total	2.1	1.8

FOCUS: Personal Income in 2004

Recent data from the Bureau of Economic Analysis (BEA) shows Maryland's personal income growing at a rate of 5.7 percent in 2004, up from 3.8 percent in 2003. Last year, the top 10 states in personal income growth included Nevada (9.0 percent), North Dakota (8.7 percent), Iowa (8.3 percent), South Dakota (7.8 percent), Arizona (7.5 percent), Washington (7.4 percent), Florida (7.0 percent), Hawaii (6.8 percent), Montana (6.7 percent) and Wyoming (6.7 percent). Nationally, growth in personal income was 5.7 percent.

On a per capita basis, income in Maryland (\$39,247) remains

among the highest in the nation and trails only Connecticut (\$45,398), Massachusetts (\$41,801) and New Jersey (\$41,332). The District of Columbia also registered a per capita income of \$51,803 in 2004, up 6.9 percent from the previous year. Based on the growth in per capita income, Maryland showed a gain of 4.8 percent—yielding a rank of 23rd among the states—and rose slightly faster than the nation's 4.7 percent.

The top ten states in terms of per capita income growth included North Dakota (8.6 percent), Iowa (7.8 percent), South

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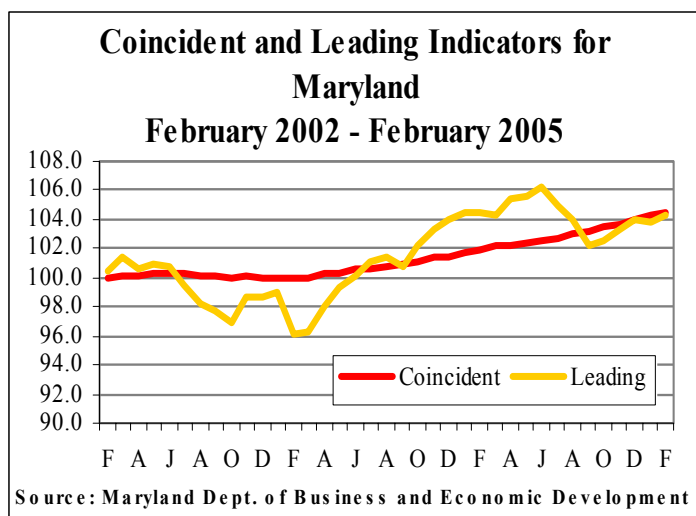
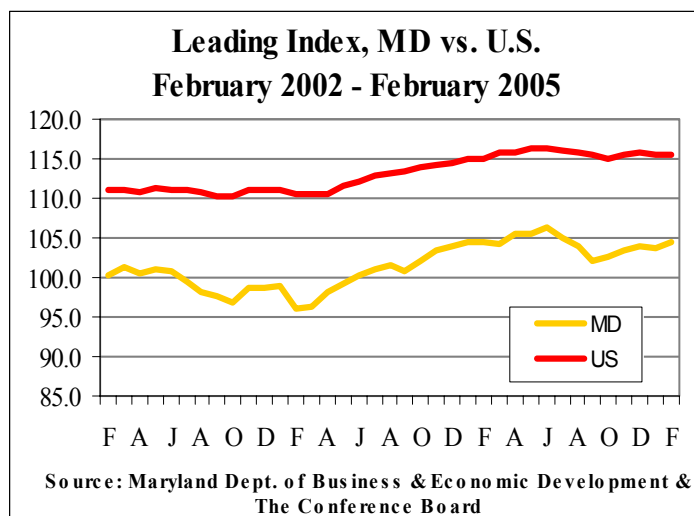
Maryland Leading and Coincident Indices

The Maryland index of leading indicators provides an outlook for the economy over the coming six to nine months. The leading index rose 0.6 in February, after dipping slightly in the previous month. Four out of the seven Maryland indicators were positive, with new residential permits providing the largest impact. Only one of the three national indicators was positive. The state index was unchanged over the year.

The U.S. leading indicator was also up in February, gaining 0.1 percent. The national index rose 0.6 percent over the year. The recent behavior of the indicator remains consistent with continued growth in the economy.

The coincident index provides a reading on current economic conditions in Maryland and is used to help track the performance of the economy. The revised coincident index for February was up 0.2 percent from the previous month and increased by 2.6 percent from the same period a year ago. The year-over-year growth is expanding at a slightly faster pace since the latter part of last year. However, the state's coincident indicator is growing at a slower pace than the national index.

In February, the U.S. coincident indicator was up 0.4 percent from the previous month, and climbed 2.8 percent over the year. The indicator has remained on a steady upward trend, even while the leading indicator exhibited weakness in the second half of last year.



Labor Force

Maryland's employment by place of residence was up 0.2 percent over the year and the labor force grew by 0.3 percent. The growth in the state's labor force lagged behind growth in the U.S. labor force.

Initial claims for unemployment insurance (UI) fell 17 percent between February 2004 and February 2005, while UI claims for the nation were down nearly 15 percent over the same period. The Baltimore Sun's help-wanted counts rose 10 percent from the same period a year ago. Temporary cash assistance (TCA) caseload declined by 6 percent in February.

Labor Market Trends (Percent Change, February 2004 - February 2005)

	MD	U.S.
Growth of Civilian Labor Force	0.3	1.0
Employment by Place of Residence	0.2	1.2
Temporary Cash Assistance – Caseload	-6.0	–
Change in Initial UI Claims	-17.1	-14.8
Help-wanted Counts	10.0	–
Unemployment Rate (current month, %)	4.6	5.8

FOCUS: Income (continued from page 3)

Dakota (6.9 percent), Washington (6.1 percent), Vermont (6.1 percent), New York (5.9 percent), Massachusetts (5.8 percent), Wyoming (5.8 percent), Montana (5.7 percent) and Hawaii (5.6 percent). Several of the top-ranked states exhibited very low population growth rates compared to the nation's 1 percent increase—including Iowa (0.4 percent), Vermont (0.3 percent), North Dakota (0.2 percent), New York (0.1 percent) and Massachusetts (-0.1 percent). The BEA reported that special factors played a role in determining state rankings based on per capital personal income growth. According to BEA, North Dakota, Iowa, and South Dakota benefited from record or near-record production of various crops along with high crop prices, while fourth-ranked Washington received a boost from dividends paid to many large Microsoft shareholders that reside in the state.

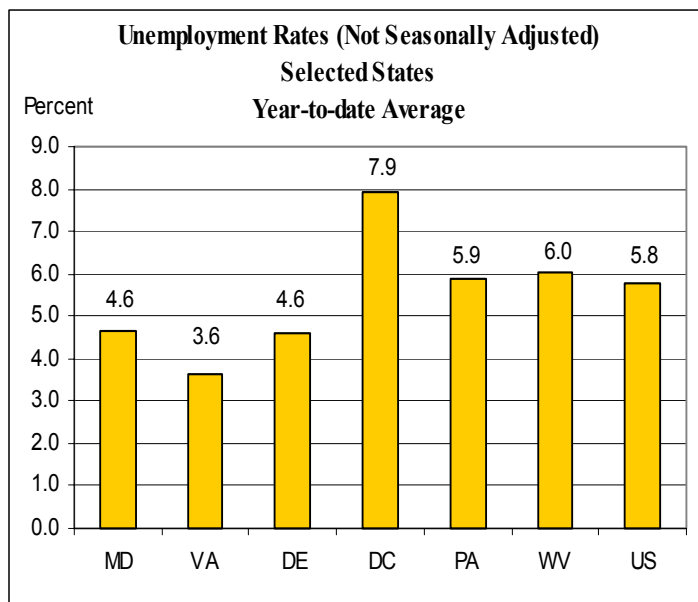
Based on quarterly data, the growth rates from the same period a year ago show that Maryland's personal income has,

for the most part, been rising faster than nation for the past several years. However, the state's year-over-year growth has dipped slightly below the U.S. in recent quarters. The growth in the nation's personal income has improved fairly steadily following the first quarter of 2002—rising from 1.3 percent in the first quarter of 2002 to nearly 7 percent in the fourth quarter of last year. The state has also exhibited a general improvement following the first quarter of 2003, with growth from a year ago increasing from 2.7 percent in the first quarter of 2003 to 6.2 percent in the last quarter of 2004.

Unemployment Rate (continued from page 1)

ment rate below the state average. Dorchester, Somerset and Worcester counties exceeded both the state and national unemployment rates during the first two months of this year. In Western Maryland, the region's unemployment rate averaged 6.0 percent year-to-date, with Allegany and Garrett counties exceeding the state and national averages.

(Unemployment rate data in the table to the right are not seasonally adjusted.)



Unemployment Rates (Percent)

Region	Feb-04	Jan-05	Feb-05	Jan-Feb Avg	
				2004	2005
U.S.	6.0	5.7	5.8	6.1	5.8
Maryland	4.5	4.6	4.6	4.6	4.6
Baltimore Region	4.7	4.9	4.9	4.8	4.9
Anne Arundel	3.8	3.8	3.9	3.9	3.9
Baltimore City	7.4	8.0	7.8	7.6	7.9
Baltimore	4.6	4.7	4.8	4.6	4.7
Carroll	4.0	3.6	3.8	3.9	3.7
Harford	4.3	4.5	4.5	4.4	4.5
Howard	3.1	3.2	3.3	3.2	3.2
Capital Region	3.8	3.9	3.9	3.9	3.9
Frederick	3.4	3.4	3.5	3.4	3.4
Montgomery	3.1	3.3	3.4	3.2	3.4
Prince George's	4.6	4.7	4.7	4.8	4.7
Southern Maryland	3.6	3.7	3.7	3.7	3.7
Calvert	3.3	3.7	3.5	3.4	3.6
Charles	3.4	3.5	3.6	3.5	3.5
St. Mary's	4.2	4.2	4.2	4.3	4.2
Eastern Shore	6.2	6.4	6.1	6.4	6.2
Caroline	6.5	5.6	5.8	6.6	5.7
Cecil	5.0	6.2	4.9	5.0	5.5
Dorchester	9.1	7.1	7.4	9.1	7.3
Kent	6.0	6.1	5.5	6.3	5.8
Queen Anne's	3.9	4.1	4.1	4.0	4.1
Somerset	7.5	7.5	7.6	7.8	7.5
Talbot	6.5	5.4	5.5	6.5	5.5
Wicomico	5.1	5.1	5.1	5.2	5.1
Worcester	11.6	12.4	12.0	12.4	12.2
Western Maryland	6.1	5.8	6.1	6.1	6.0
Allegany	7.1	7.4	7.5	7.3	7.4
Garrett	8.0	7.5	7.6	8.0	7.6
Washington	5.2	4.6	5.2	5.2	4.9

Selected Monthly Economic Indicators

Selected Indicators	Maryland					U.S.				
	Feb 2005	Jan 2005	Percent Change From Last Month	Feb 2004	Percent Change From Last Year	Feb 2005	Jan 2005	Percent Change From Last Month	Feb 2004	Percent Change From Last Year
Labor Market										
Labor Force (U.S. in Thousands)	2,875,172	2,872,183	0.1	2,865,361	0.3	147,649	147,125	0.4	146,154	1.0
Employment (U.S. in Thousands)	2,742,120	2,739,167	0.1	2,736,966	0.2	139,100	138,682	0.3	137,384	1.2
Unemployment Rate	4.6	4.6	0.0	4.5	2.2	5.8	5.7	1.8	6.0	-3.3
Sun Help-Wanted Counts, Baltimore MSA	10,698	14,682	-27.1	9,724	10.0					
Initial Claims for Unemployment Insurance	14,633	26,849	-45.5	17,645	-17.1	1,243,630	1,984,176	-37.3	1,459,982	-14.8
TCA Caseload	26,418	26,788	-1.4	28,090	-6.0					
TCA Cases Closed	2,667	2,780	-4.1	2,505	6.5					
Jobs and Sectors (Jobs in Thousands)										
Total Non-Agricultural Employment	2,503.8	2,494.0	0.4	2,451.5	2.1	131,328	130,495	0.6	128,976	1.8
Construction, Mining & Natural Resources	169.4	172.4	-1.7	165.1	2.6	7,258	7,243	0.2	6,953	4.4
Manufacturing	139.9	139.4	0.4	141.7	-1.3	14,211	14,180	0.2	14,172	0.3
Trade, Transportation, Utilities	461.1	466.3	-1.1	456.2	1.1	25,331	25,472	-0.6	24,990	1.4
Information	50.2	50.5	-0.6	49.6	1.2	3,102	3,105	-0.1	3,127	-0.8
Financial Activities	156.3	156.1	0.1	153.9	1.6	8,114	8,092	0.3	7,945	2.1
Professional & Business Services	372.7	370.1	0.7	359.5	3.7	16,446	16,302	0.9	15,849	3.8
Education & Health Services	353.7	351.0	0.8	343.9	2.8	17,294	17,066	1.3	16,895	2.4
Leisure & Hospitality	216.8	214.7	1.0	204.4	6.1	12,112	12,027	0.7	11,838	2.3
Other Services	114.7	114.0	0.6	112.6	1.9	5,412	5,388	0.4	5,361	1.0
Government	469.0	459.5	2.1	464.6	0.9	22,048	21,620	2.0	21,846	0.9
Average Weekly Earnings (\$)	659.55	685.16	-3.7	657.29	0.3	663.77	666.65	-0.4	651.98	1.8
Average Weekly Hours	39.9	41.2	-3.2	40.3	-1.0	40.4	40.6	-0.5	40.8	-1.0
Business and Consumer Markets										
BWI Cargo (Metric Tons)	19,334	18,842	2.6	18,544	4.3					
BWI Passengers (Millions)	1.30	1.40	-7.6	1.44	-9.8					
Electric Meters Installed, Commercial ¹	225	205	9.8	141	59.6					
Electric Meters Installed, Residential ¹	960	1,162	-17.4	1,065	-9.9					
Electricity Sales, Commercial (Millions of MWh) ¹	1.60	1.33	20.1	1.66	-3.6					
Electricity Sales, Residential (Millions of MWh) ¹	1.22	0.90	36.4	1.20	1.9					
Existing Home Sales (U.S. in Thousands)	6,054	5,797	4.4	5,416	11.8	350	337	3.9	332	5.4
New Auto Registration (U.S. seasonally adjusted)	26,707	33,637	-20.6	27,780	-3.9	1,361,980	1,366,898	-0.4	1,484,075	-8.2
New Residential Permits Authorized	2,602	1,549	68.0	1,601	62.5	145,426	138,159	5.3	134,681	8.0
Indexes										
Leading Index	104.4	103.8	0.6	104.4	0.0	115.6	115.5	0.1	114.9	0.6
Help-Wanted Index	47.7	65.5	-27.1	43.4	10.0	41	41	0.0	40	2.5
CPI	N/A	121.3	N/A	N/A	N/A	191.8	190.7	0.6	186.2	3.0
Stock Index	304.7	308.0	-1.0	273.7	11.4	1,211.4	1,181.3	2.5	1,144.9	5.8
Tourism										
Hotel /Motel Occupancy Rate (%)	55.2	48.1	14.8	54.5	1.3					
State Welcome Center Visitors	96,496	101,202	-4.7	107,293	-10.1					
Amusement & Admission Tax (Millions of Dollars)	4.07	4.68	-13.1	2.49	63.6					
Hotel /Motel Sales Tax (Millions of Dollars)	2.93	3.12	-6.3	2.70	8.4					

Notes:

¹BGE data as of December 2004



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